

Message Text

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SUBJECT: AD HOC GROUP ON ECONOMIC RELATIONS BETWEEN
MEMBER COUNTRIES AND DEVELOPING COUNTRIES

1. IN CONJUNCTION WITH UPCOMING JULY 10-11 MEETING OF
NORTH/SOUTH GROUP, SECRETARIAT EXPRESSED DESIRE TO HAVE
U.S. SUGGESTIONS ON FUTURE COURSE OF GROUP'S WORK. IN
THIS CONNECTION, MISSION IS REQUESTED TO PASS SUBSTANCE OF
FOLLOWING U.S. SUGGESTIONS TO SECRETARIAT.

2. GIVEN BREADTH OF AREAS COMPRISING GROUP'S WORK PROGRAM
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-- COMMODITIES, FOOD AND AGRICULTURE, EXPORTS OF MANUFACTURES AND PROCESSED GOODS, TRANSFER OF RESOURCES AND SCIENCE AND TECHNOLOGICAL COOPERATION -- IT WOULD BE APPROPRIATE TO CONCENTRATE AT LEAST FOR NOW ON PRIORITY

AREAS, WHICH WE SEE AS TRANSFER OF RESOURCES AND FOOD AND AGRICULTURAL DEVELOPMENT. AT LATER MEETINGS, GROUP COULD CONSIDER WORK ALREADY BEING DEVELOPED ON COMMODITIES BY HIGH-LEVEL GROUP AND, IN PART, ON TRADE (BY OECD TRADE COMMITTEE).

3. AS COMPLEMENTARY TO THE WORK OF THE GROUP, IT WOULD BE APPROPRIATE FOR SECRETARIAT TO EXAMINE SELECTED LDC PROPOSALS AND PREPARE COHERENT INTELLECTUAL POSITIONS DEMONSTRATING WHY SOME OF THESE PROPOSALS ARE NOT RIPE FOR ACTION. AMONG THOSE WHICH COULD BE CONSIDERED IN THIS CATEGORY ARE INDEXATION, PRODUCERS' ASSOCIATIONS AND OTHERS IDENTIFIED BY SECRETARIAT IN ITS PAPER FOR THE OECD AD HOC GROUP ON UN ISSUES.

4. TRANSFER OF RESOURCES - US SEES THIS BROAD AREA AS ONE WHICH CAN BE, ALONG WITH TOPIC ON FOOD AND AGRICULTURAL DEVELOPMENT, FIRST SUBJECTS OF CONCENTRATION FOR GROUP'S WORK. AS STATED IN SECRETARIAT NOTE, ROLE OF AID SHOULD BE A LEADING ELEMENT OF THE REVIEW OF RELATIONS WITH THE DEVELOPING COUNTRIES. WE RECOGNIZE THAT SITUATION OF POOREST COUNTRIES MERITS SPECIAL ATTENTION AND, IN THIS CONNECTION, SUGGEST THAT AD HOC GROUP SHOULD BEGIN TO ESTABLISH PRIORITIES AMONG INTERNATIONAL ASSISTANCE MECHANISMS, BOTH THOSE WHICH ARE ESTABLISHED AND IN PROCESS OF BEING SET UP TO INCREASE FLOW OF ASSISTANCE TO LOW-INCOME AND MSA COUNTRIES. OVER THE COURSE OF LAST 18 MONTHS, A VARIETY OF NEW FUNDS HAS APPEARED OR BEEN DISCUSSED; WITH EXPANDING BUT STILL LIMITED AMOUNT OF RESOURCES AVAILABLE FOR MULTILATERAL COOPERATION, SOME DISCUSSION SHOULD CENTER ON QUESTION OF ESTABLISHMENT OF PRIORITIES AMONG FUNDS AND PROSPECTS FOR EVENTUAL CONSOLIDATIONS OF SOME. AS EXAMPLES OF PRIORITIES AMONG INSTITUTIONAL ARRANGEMENTS (BASED ON SECRETARIAT'S LIST) US WOULD CONSIDER PREPARATIONS FOR IDA V, AND SPECIAL FUNDS FOR MSA COUNTRIES TO BE MOST IMPORTANT, FOLLOWED BY IMPROVEMENTS IN IMF COMPENSATORY FINANCING AND IFAD.
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EVENTUAL CONSOLIDATION OF SOME FUNDS CAN BE ENVISAGED IN SUCH AREAS AS WITTEVEEN FACILITY AND SPECIAL TRUST FUND, AND THIRD WINDOW AND IDA V.

5. US WOULD ENCOURAGE DISCUSSION CONCERNING RELATIONS BETWEEN TRADITIONAL DONOR COUNTRIES AND OPEC DONORS IN CONTEXT OF INSTITUTIONAL ARRANGEMENTS FOR BOTH TRADITIONAL AND NEW MULTILATERAL ASSISTANCE BODIES. NEED AND DESIRABILITY FOR SUBSTANTIAL OPEC CONCESSIONAL PARTICIPATION IS EVIDENT. AT SAME TIME, CAREFUL CONSIDERATION SHOULD BE GIVEN TO IMPACT THAT OPEC MEMBERS WILL HAVE ON INSTITUTIONS IN TERMS OF VOTING WEIGHTS AND OVERALL

INFLUENCE, GIVEN LIKELIHOOD THAT FEW OPEC COUNTRIES WILL
CONTINUE TO BE IN POSITION OF BEING MAJOR CAPITAL-
EXPORTERS AFTER NEXT FEW YEARS.

6. ACCESS TO CAPITAL MARKETS - WE BELIEVE THAT FURTHER STEPS CAN BE TAKEN TO ADVANCE POINTS RAISED AT DEVELOPMENT COMMITTEE. WHILE MOST EMPHASIS OF CURRENT DISCUSSION IS ON MULTILATERAL GUARANTEE MECHANISMS FOR BENEFIT OF MORE ADVANCED LDCS, MORE SUBTLE APPROACHES TO IMPROVING CREDIT-WORTHINESS AND BORROWING CAPACITY OF THESE COUNTRIES MAY BE MORE EFFECTIVE. ONE INTERESTING CONCEPT IS THE SAFETY NET OR MUTUAL FINANCING POOL, BEING CONSIDERED BY THE ECLA IN THE LATIN AMERICAN CONTEXT. AT THIS TIME, WE ENVISION TWO DIFFERENT KINDS OF POSSIBLE MECHANISMS -- ONE ENCOMPASSING "THRESHOLD" ARRANGEMENTS (SUCH AS PARTIAL GUARANTEES) TO HELP LDCS WHICH HAVE BEEN HERETOFORE UNABLE TO ENTER CAPITAL MARKETS, AND SECOND, TO ASSIST MORE ADVANCED LDCS WHICH ALREADY HAVE ACCESS TO MARKETS BUT COULD BE ASSISTED TO RECEIVE LONGER TERMS, LOWER INTEREST RATES THAN NOW AVAILABLE.

7. DEBT PROBLEMS - US WOULD BE WILLING TO DISCUSS POSSIBILITIES OF IMPROVED INTERNATIONAL SURVEILLANCE, ALONG WITH QUESTION OF IMPROVEMENTS IN INSTITUTIONAL ARRANGEMENTS WHICH WOULD BE SATISFACTORY TO CREDITORS AND DEBTORS ALIKE.

8. FOOD AND AGRICULTURAL DEVELOPMENT - DISCUSSION CAN CENTER ON EXAMINATION OF FOOD AID AND EFFORTS TO LIMITED OFFICIAL USE
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INCREASE OVERALL ASSISTANCE, AS WELL AS MEASURES WHICH WILL RESULT IN INCREASING TOTAL RESOURCE FLOWS FOR BOTH FOOD AID AND AGRICULTURAL AND RURAL DEVELOPMENT. WHILE GREAT AMOUNTS OF ASSISTANCE ARE NECESSARY FOR FOOD AID, EQUALLY STRONG EFFORTS MUST BE MADE TO DEVELOP LDC AGRICULTURAL POTENTIAL. AMONG OTHER TOPICS WHICH MIGHT BE CONSIDERED ARE INCREASED PRODUCTION POSSIBILITIES AND MEASURES TO REDUCE WASTE AND SPOILAGE. IN EXAMINING ROLE FOR MULTILATERAL INITIATIVES, GROUP SHOULD CONSIDER NEWLY-FORMED INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT AS FOCAL POINT FOR MOBILIZING RESOURCES THROUGH DONOR ACTION BY BOTH INDUSTRIAL AND OPEC COUNTRIES. AT SAME TIME, CONSULTATIVE GROUP ON FOOD PRODUCTS AND INVESTMENT WILL HAVE ROLE AS CATALYZING POINT FOR LDC EFFORTS TO INCREASE PRODUCTION AND DEVELOPMENT, WHICH WE SEE AS COMPLEMENTARY TO DONOR EFFORTS. WE ARE ESSENTIALLY IN AGREEMENT THAT QUESTION OF GREATER WORLD FOOD SECURITY SHOULD BE DEALT WITH BY OTHER BODIES, BUT THAT MEASURES TO ASSIST LDC EFFORTS COULD BE CONSIDERED BY GROUP.

9. ACCESS TO WORLD MARKETS FOR PROCESSED AND MANUFACTURED PRODUCTS - WE BELIEVE THE SECRETARIAT NOTE PLACES TOO MUCH STRESS ON TRADE AREAS WHERE SUBSTANTIAL PROGRESS HAS ALREADY BEEN MADE OR IS BEING MADE AND WHERE FURTHER PROGRESS IS SHARPLY CONSTRAINED BY DOMESTIC CONSIDERATIONS INCLUDING OUR OWN. FOR EXAMPLE, THE CREATION OF A GENERALIZED SYSTEM OF PREFERENCES WILL HAVE LARGELY BEEN ACCOMPLISHED WHEN THE U.S. IMPLEMENTS ITS SYSTEM LATER THIS YEAR. IN LIGHT OF CURRENT ECONOMIC CONDITIONS, WE ARE VERY DOUBTFUL THAT THE POSSIBLE BENEFITS TO LDCS OF FURTHER PROGRESS IN THIS AREA WOULD OUTWEIGH THE DOMESTIC ECONOMIC AND POLITICAL COSTS. IN ANY EVENT, FURTHER IMPROVEMENTS OF THE SYSTEM IN MOST CASES CAN BE ONLY COSMETIC: THE NORDIC SCHEMES ARE QUITE LIBERAL AND THERE IS LITTLE SCOPE FOR IMPROVEMENT; THE EC HAS ALREADY MADE SIGNIFICANT IMPROVEMENTS; AND THE U.S. HAS MADE EVERY EFFORT TO IMPLEMENT A MEANINGFUL SYSTEM AND WE ARE NOT IN A POSITION TO DISCUSS IMPROVEMENTS AT THIS PRE-MATURE STAGE. DISCUSSION OF THESE ITEMS INVITES A COMPETITIVE DEBATE WHEREBY THE OECD DONOR COUNTRIES TOUT THE LIMITED OFFICIAL USE
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VIRTUES OF THEIR SCHEMES.

10. LIKEWISE, THE PRINCIPLES OF THE TOKYO DECLARATION REPRESENT FAR-REACHING AND UNPRECEDENTED COMMITMENTS TO THE DEVELOPING COUNTRIES. WHAT ARE NEEDED NOW ARE NOT NEW COMMITMENTS BUT THE WORKING OUT IN GENEVA OF THE CONCRETE DETAILS OF THE IMPLEMENTATION OF AGREED PRINCIPLES.

11. IN ADDITION WE ARE CONCERNED THAT THE DETAILED SUB-TOPICS ON GSP AND THE MTN IN SECTION C OF THE SECRETARIAT NOTE COULD RESULT IN A DUPLICATION OF WORK NOW GOING ON IN GENEVA. TOPICS SUCH AS "ACTION ON PRODUCTS OF SPECIAL INTEREST TO DEVELOPING COUNTRIES" AND "DIFFERENTIAL TREATMENT ACCORDING TO STAGES OF DEVELOPMENT" WILL BE REVIEWED BY THE TRADE NEGOTIATIONS COMMITTEE IN GENEVA AND ARE ALREADY BEING COORDINATED AMONG DEVELOPED COUNTRIES IN GENEVA (MTN GENEVA 4148).

12. WE SEE THE ROLE OF THE AD HOC GROUP IN THE TRADE AREA AS ONE OF (1) CONDUCTING A BROAD OVERVIEW OF PROGRESS MADE TO DATE ON GSP AND LIKELY TO BE MADE IN THE MTN -- THE TRADE COMMITTEE (WHICH NEXT MEETS AFTER THE JULY 15TH TNC) MIGHT BE ASKED TO WATCH OVER THE MORE DETAILED ASPECTS OF GSP IMPLEMENTATION AND IMPROVEMENT AND THE GENEVA NEGOTIATIONS WITH A VIEW TO IDENTIFYING FOR THE AD HOC GROUP NEW OR ONGOING AREAS WHICH ARE RIPE FOR ACTION --; AND (2) IDENTIFYING AREAS NOT

NOW BEING DEALT WITH IN THE MTN WHERE PROGRESS MAY BE POSSIBLE (E.G., ENCOURAGEMENT OF REGIONAL INTEGRATION AMONG DEVELOPING COUNTRIES, EXPORT STABILIZATION SCHEMES). MORE BROADLY THE GROUP COULD LOOK AT WHAT ROLE TRADE CAN PLAY IN NORTH/SOUTH RELATIONS GIVEN CURRENT LDC EMPHASIS

ON RAW MATERIALS AND INVESTMENT AND EXPLORE THE BROAD LINKS AND, GIVEN D.C. LIMITED RESOURCES SEE PRIORITIES AMONG FINANCE AND RESOURCE TRANSFER, RAW MATERIALS, TRADE AND INVESTMENT AND FURTHER DEVELOP THE TYPE OF MULTI-DIMENSIONAL APPROACHES TO CURRENT PROBLEMS SUGGESTED BY SECRETARY KISSINGER IN HIS KANSAS CITY AND IEA AND OECD SPEECHES.

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13. A WORK PLAN SUCH AS OUTLINED ABOVE WOULD BE CONSISTENT WITH THE GROUP'S MANDATE, AND COULD CONTRIBUTE SIGNIFICANTLY TO THE SUCCESS OF COMING MEETINGS SUCH AS THE UNGA 7TH SPECIAL SESSION AND UNCTAD IV. SISCO

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